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AUDIT REPORTS

Report on implementation of the recommendations of the Board of Auditors for the biennium 1996-1997

Report of the Administrator

I. PURPOSE

1. As in previous bienniums, and in accordance with General Assembly resolutions 47/211 of 22 December 1992 (paras. 9, 10 and 12) and 48/216 B of 23 December 1993 (para. 5), the Administrator is bringing to the attention of the Executive Board the updated report on implementation of the recommendations of the Board of Auditors on UNDP for the biennium ending 31 December 1997 (A/53/5/Add.1).[1]

2. The present report has been prepared in response to General Assembly resolutions 48/216 B and 52/212 B, in which the General Assembly requested the Secretary-General and the executive heads of United Nations organizations and programmes to provide the Assembly with their responses and to indicate measures that would be taken to implement those recommendations, with appropriate timetables, at the same time as the recommendations of the Board of Auditors are submitted to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions (ACABQ).

3. The present updated document contains a tabular summary of recommendations, with paragraph reference to the report of the Board of Auditors for the biennium 1996-1997, listed by area of audit, namely, programme expenditure incurred by Governments and executing agencies, cash management, premises management,

[1] See Official Records of the General Assembly, Fifty-third Session, Supplement No. 5A.

information management systems, and change management. The table also indicates the UNDP response to each recommendation, as provided to the Board of Auditors during the preparation of its report, as well as the status of any follow-up action and the target date for completion at the date of preparation of the present document. The Administrator is pleased to report that progress has already been made in many areas and that efforts are being made to address issues that are still outstanding.

4. The Administrator wishes to indicate that, in response to the above-mentioned resolutions, UNDP has also submitted an earlier version of the tabular summary report as at 31 March 1999 to the General Assembly, through the Secretary-General and ACABQ; it is contained in the report of the Secretary-General on the recommendations of the Board of Auditors (A/54/140/Add.1). The report of ACABQ is contained in document A/54/441.

5. During the course of the audit exercise for the biennium 1996-1997, UNDP provided a detailed written response to all the observations made by the Board of Auditors in the form of management letters. Such observations, findings, recommendations and UNDP responses are reflected in the report of the Board of Auditors.

II. EXECUTIVE BOARD ACTION

6. The Executive Board may wish to note that considerable progress has been made by the United Nations Development Programme in implementing the recommendations contained in previous reports of the Board of Auditors and that action is being taken to address all the recommendations made by the Board of Auditors in its report for the biennium 1996-1997.

UNDP response to recommendations of the Board of Auditors for the biennium 1996-1997

Follow-up actions and timetable

Board of Auditors recommendations (and para. reference to A/53/5/Add.1)	UNDP initial response and proposed steps	Status at 30 September 1999 and responsible party	Completion date
Programme expenditure incurred by Governments and executing agencies			
Audit reports from Governments			
1. UNDP should retain for at least two bienniums all audit reports received on national execution expenditure to enable the Board to complete its audit of those reports that had not been received in the previous biennium (para. 20).	UNDP agrees with the recommendation. In the future UNDP will archive the audit reports applying the standard procedure for all financial records.	Done. The Office for Audit and Performance Review (OAPR) is responsible for this recommendation.	Not applicable.
Inventory control of non-expendable property			
2. UNDP should establish clear separation of duties between requisitioning, receipt of goods and maintenance of inventory records (para. 36).	UNDP agrees with the recommendation. UNDP will establish clear guidelines on separation of duties.	The revised policy on expenditure control with clear separation of duties has been drafted and is being proposed as part of the comprehensive revision of the Financial Regulations and Rules, to be submitted to the Executive Board for approval in January 2000. The Policy and Control Unit (PCU) of the Bureau for Financial and Administrative Services (BFAS) is responsible for this recommendation.	January 2000
Other income			
3. The UNDP financial regulations should be amended to require exchange losses arising other than from voluntary contributions to be charged as expenditure, as suggested by United Nations accounting standards, paragraph 29, and in line with practice adopted by United Nations Headquarters (para. 38).	There is no need for a change to the financial regulations; however, there will have to be a change to rule 104.3. UNDP has agreed with the Board to report gains/losses in a separate line in the income statement and provide a separate schedule in a note to the financial statements with the appropriate breakdown. The proposed revised financial rule will be included in the comprehensive revision to the entire Financial Regulations and Rules in 1999.	Financial rule 126.06 has been amended in document DP/2000/4, which will be submitted to the Executive Board for approval in January 2000. BFAS/Comptroller is responsible for this recommendation.	January 2000

Board of Auditors recommendations (and para. reference to A/53/5/Add.1)	UNDP initial response and proposed steps	Status at 30 September 1999 and responsible party	Completion date
Cash management			
Cash management policies and guidelines			
4. UNDP should monitor returns on investments against prevailing market rates (para. 45).	UNDP agrees with the recommendation. UNDP will establish appropriate benchmarks, through the Investment Committee, to be incorporated in its cash management policy and objectives.	The benchmark was approved by the Investment Committee in October 1998. BFAS/ Treasury is responsible for this recommendation.	Completed.
Advances to agencies			
5. UNDP should define a "reasonable period of foreseen cash requirements" for its advances to agencies and regularly review the balances held (para. 52).	UNDP provides funding to United Nations agencies on a monthly basis, based on the agencies' forecast of delivery and cash flow requirements. The levels of advances held are reviewed regularly and advance requests are denied when not satisfactorily justified. A "reasonable period of cash requirements" has been defined as the current month's requirements plus one additional month's needs. The proposed steps for follow-up action are already in place.	UNDP met with the Board on 4 March to clarify its position. BFAS/Treasury is responsible for this recommendation.	Completed.
6. UNDP should examine the scope for reducing the extent to which agencies are funded in advance, and where possible move to a system of reimbursing actual expenditure, thereby reducing cash flow risks and improving financial control (para. 53).	The current method of funding United Nations agencies on a monthly basis, with agencies holding between one and two months' cash needs, dates back to the earliest days of UNDP and has been functioning effectively. The Administrator does not believe that there is any scope for agencies to pre-finance UNDP programme activities against a reimbursement arrangement. No further action is required.	A meeting was held with the Board on 4 March to clarify the position. BFAS/Treasury is responsible for this recommendation.	Completed.

Board of Auditors recommendations (and para. reference to A/53/5/Add.1)	UNDP initial response and proposed steps	Status at 30 September 1999 and responsible party	Completion date
Premises management			
Management information			
7. UNDP should maintain information on the occupancy levels of its headquarters buildings in order to help control and monitor costs (para. 67).	UNDP has already, in connection with the United Nations Development Group (UNDG) Sub-Group on Common Premises and Services, established certain information systems that will be maintained on a regular basis. Towards that end an agreement has been reached within the Sub-Group that all four partners will use a common software package (Aperture) to capture systematically headquarters and country office premises data elements such as cost, tenure, size, condition, occupancy, etc. This will allow for the sharing of information among partners and for meaningful analyses to be done, on the basis of key performance indicators regarding premises management. The database is under implementation.	Lease and other data for UNDP country offices and for headquarters space occupied by UNDP have started to be captured in the Aperture database. The UNDP Sub-Group and the Administrative Services Division of BFAS are responsible for this recommendation.	Completed in December 1998 for country offices data and June 1999 for headquarters data.
8. UNDP should develop and adopt key performance indicators to assess the effectiveness and efficiency of field offices and headquarters in managing their real estate. These indicators should include unit cost measures relating directly to the objectives specified in an estate management strategy (para. 68).	See comment in 7 above.	See above.	

Board of Auditors recommendations (and para. reference to A/53/5/Add.1)	UNDP initial response and proposed steps	Status at 30 September 1999 and responsible party	Completion date
Common premises and services			
9. UNDP should finalize and issue the guidelines on common premises and services without delay (para. 71).	These initiatives will not be handled by UNDP separately but in a harmonized way under UNDG. The UNDG Sub-Group on Common Premises and Services is preparing guidelines for common premises. The United Nations Development Group Office is working on a final draft of guidelines on common services (to be presented to the Consultative Committee on Programme and Operational Questions (CCPOQ) in September 1998). Completion date will be known after the September 1998 CCPOQ session.	The draft guidelines were approved by the CCPOQ and distributed to all Resident Coordinators and UNDP resident representatives.	Completed.
		A survey on common services has been received from 136 country offices. The data had been analysed. On this basis best practices will be developed. A workshop is planned to be held early in 2000.	End of 1999.
		CCPOQ, the UNDG Office and the Administrative Services Division (ASD) of BFAS are responsible for this recommendation.	March 2000.
Rental arrangements and expenditure			
10. UNDP should strengthen its efforts to implement its current policy with regard to seeking rent-free office accommodation (para. 81).	This will be examined in consultation with the Bureau of Planning and Resource Management (BPRM) and the regional bureaux and in the context of UNDG efforts, as mentioned under recommendation No. 9.	Initial informal discussions have been initiated by some resident coordinators, BPRM and the regional bureaux. In the context of government contributions towards local office costs, offices continued to be requested and encouraged by headquarters to work with Governments in obtaining rent-free office space. Recent trends show that there was an increase in Government-provided rent-free office space to UNDP, from $5.9 million in 1997 to $7.0 million in 1998. In addition, UNDP in the context of UNDG is working with other United Nations organizations on the subject. The strengthening of this policy was articulated in a UNDP report submitted to the UNDG executive boards in the spring of 1999. BPRM, the regional bureaux and BFAS are responsible for this recommendation.	Ongoing.

Board of Auditors recommendations (and para. reference to A/53/5/Add.1)	UNDP initial response and proposed steps	Status at 30 September 1999 and responsible party	Completion date
Maintenance and alterations			
11. UNDP should prepare a forward plan for maintenance and alterations work to the premises it occupies (para. 84).	UNDP agrees with the observations of the Board. In this connection, UNDP will establish corporate standards and guidelines to country offices on renovations, maintenance and alterations. A plan for forward maintenance for UNDP headquarters and country office premises will be articulated and proposed as part of the next budget proposal.	A maintenance plan has been formulated for headquarters premises. Analysis of country offices premises plan is ongoing in the context of United Nations House implementation. BFAS/BPRM are responsible for this recommendation.	April 2000. Ongoing.
Utilities expenditure			
12. UNDP should collect and analyse energy costs and consumption data for its premises, in order to facilitate comparisons and to identify wastage and excessive costs (para. 86).	In the context of the Green Office Initiative, UNDP has appointed a coordinator to undertake work on how to reduce energy costs in the buildings that UNDP occupies at headquarters. This is an inter-agency effort and is being done in close cooperation with the Sub-Group on Energy Savings, which has been constituted under the auspices of the United Nations Inter-Agency Task Force on Common Services. Recommendations will be included in the next budget proposal. UNDP will look into the possibility of formulating an energy management policy for both headquarters and its country offices.	Several discussions have taken place, both within UNDP and within the context of the Sub-Group. The maintenance plan developed for headquarters focused on the need to conserve energy and reduce costs. The Green Office Initiative, jointly chaired by BFAS and the Bureau for Development Policy/ SEED, is developing guidelines on energy conservation measures. An energy retrofit (lighting and HVAC) plan has been developed and is in the process of being finalized. Implementation is expected to be completed by early-2000. BFAS/ASD and BDP/SEED.	Ongoing. April 2000.
Space planning and allocation arrangements			
13. UNDP should establish organization-wide standards for space occupancy, with standards flexed to take account of job function within grade (para. 89).	Agreed. UNDP will develop a policy on space allocation that may include allocation not strictly on the basis of grade alone but possibly on the basis of job function within grade. The effort will also be supported by the introduction of the Aperture software mentioned in reference to recommendation No. 8.	Data on space occupancy at headquarters through Aperture has been completed. Work is ongoing to review space standards at headquarters. The application of Joint Inspection Unit standards is being encouraged for any new space being occupied by UNDP offices. BFAS/ASD is responsible for this recommendation.	December 1999.

Board of Auditors recommendations (and para. reference to A/53/5/Add.1)	UNDP initial response and proposed steps	Status at 30 September 1999 and responsible party	Completion date
Information management systems			
Progress on information management system projects			
14. UNDP should standardize procedures for investment appraisal of information technology projects to take full account of financial and non-financial benefits, as well as operational requirements (para. 99).	Agreed. This is now required in all project documents.	Under implementation. BFAS/ASD.	At all times.
15. UNDP should ensure that project status reports include summaries of project expenditure against lifetime and biennial budgets (para. 100).	Agreed. UNDP will implement this in all cases going forward.	Summaries will be prepared for biennial budget reporting and for project files upon project completion. The Information Systems Division (ISD) of BFAS is responsible for this recommendation.	For biennial budget reporting, April 2000, when 1999 expenditures will be known. To be repeated every year thereafter.
Financial Information Management			
16. UNDP should encourage country offices to begin operating the budget module at the earliest opportunity (para. 103).	Agreed. Under active monitoring.	Under active follow-up, FIM has been fully implemented in 22 country offices, data is under validation in 103 country offices and under study in 9 country offices. BFAS/ISD is responsible for this recommendation.	August 1999.
Procurement of information technology services			
17. UNDP should ensure that future contracts provide for payments to be linked to the achievement of specific targets and goals (para. 117).	Agreed. This will be monitored by the Advisory Committee on Procurement.	All new contracts are prepared in accordance with this recommendation and the Advisory Committee on Procurement scrutinizes each contract prior to clearance. The Policy and Control Unit of BFAS is responsible for this recommendation.	All times.
Year 2000 issue			
18. UNDP should ensure that all systems are tested for year 2000 compliance, with sufficient lead time to correct any deficiencies (para. 124).	Agreed. All existing systems have been tested and new systems are being developed to be year 2000 compliant.	BFAS/ISD is responsible for this recommendation.	Completed.

Board of Auditors recommendations (and para. reference to A/53/5/Add.1)	UNDP initial response and proposed steps	Status at 30 September 1999 and responsible party	Completion date
Change management			
Cost estimates			
19. UNDP should establish clear arrangements for funding the full costs of the change management initiative (para. 135).	UNDP made a conscious decision to mobilize additional resources needed to carry out the change-related activities and has approached Governments that support UNDP efforts in this regard. Projects under change initiatives requiring additional funding have been identified and costed. UNDP is actively pursuing donors to support these projects and has so far mobilized an indicative amount of $4.5 million.	In relation to the forthcoming UNDP business plan, to be proposed by the Administrator in January 2000, and in continuation of the remaining UNDP 2001 initiatives to be integrated with that plan, funding sources/arrangements will be clearly identified. BPRM is responsible for this recommendation.	Ongoing.
Change process management			
20. UNDP should assess the financial and non-financial benefits expected to flow from its change programme and use this assessment to carry out a full investment appraisal of the change initiative (para. 140).	UNDP agrees with the recommendation that the financial and non-financial benefits of the change should be fully assessed and analysed. The planned comprehensive evaluation of the change process to be undertaken in July-September 1999 will include the investment appraisal element.	The report on UNDP 2001 has addressed the issues of benefits from the change programme. The recommendations made will be considered in the context of the new business plan and the investment to be made therein. BPRM/OP is responsible for this recommendation.	December 1999.
Monitoring and evaluation of the change process			
21. UNDP should develop appropriate performance indicators and measures to assess specific change implementation activities, relating these directly to the main objectives of the change process (para. 150).	The 1998 UNDP Strategic Plan is based on the strategic agenda set by UNDP 2001. It has fully integrated all key elements of the change process. Its success criteria and the linkage of results to the objectives of the change will provide a solid basis for a comprehensive assessment of the specific change implementation activities of 1998. The planned assessment of the compacts at the end of 1998 and the review of the implementation plan and the Strategic Plan should allow UNDP to evaluate the objectives of the change process.	The development and use of appropriate performance indicators have been recognized as important elements for measuring and assessing progress in change activities. The Administrator has attached the highest importance to this. Work is currently under way on institutionalizing measurements in the business plan, strategic results frameworks and score-card system. BPRM/OP is responsible for this recommendation.	December 1999.